

July 21, 1999

**REQUEST FOR FINANCIAL ADVISORY
STATEMENTS OF QUALIFICATIONS**

To Interested Firms:

I am requesting that firms interested in providing financial advisory services to the State of California submit a Statement of Qualifications to this office by noon (Pacific Daylight Savings Time), August 20, 1999. The Statements of Qualifications should respond to the attached Request.

Firms selected will be placed in a pool of firms and may be appointed to serve as a pricing or financial advisor for bonds, commercial paper, revenue anticipation notes, certificates of participation and other debt obligations issued by various State issuers, as well as the financing authorities. Firms also may be engaged for financial advisory services, as the need might arise. In addition, a general financial advisor will be appointed.

The State Treasurer's Office desires a diverse pool of financial advisors for the purpose of best assisting the office in meeting our debt financing goals. Firms of any size are encouraged to respond. Firms which qualify as a small business are urged to complete Attachment C.

Questions regarding this request should be directed to Karen Walsh of my staff at (916) 653-9548.

Sincerely,

PHILIP ANGELIDES
State Treasurer

REQUEST FOR FINANCIAL ADVISORY STATEMENTS OF QUALIFICATIONS

I. PROGRAM DESCRIPTIONS

The State Treasurer seeks Statements of Qualifications from financial advisory firms interested in providing services in connection with the State's debt issuance programs. Firms selected will be placed in a pool of firms and may be appointed to serve as a pricing advisor or financial advisor on bonds, revenue anticipation notes (RANs)¹, certificates of participation and other debt obligations issued by the State, State Public Works Board ("SPWB"), certain joint powers authorities and other State issuers. The needs of the financing will help determine whether a firm serves in a pricing advisor or financial advisor role.

This request will also be used to select one or more financial advisors to provide general advisory services or special services to the State Treasurer on an ongoing, as needed, basis.

In addition, this Request for Statements of Qualifications solicitation will be used to establish financial advisory pools for the various financing authorities. Please indicate on Attachment D for which pool(s) your firm wishes to be considered. The pools will remain in effect at the discretion of the State Treasurer.

STATE GENERAL OBLIGATION BONDS AND COMMERCIAL PAPER NOTES

The State Treasurer is responsible for the issuance of State of California General Obligation (GO) bonds. Proceeds from the sale of GO bonds fund a wide array of public projects, including public school construction, correctional facilities and mass transportation.

As of July 1, 1999, there are approximately \$16.2 billion in outstanding State of California GO bonds. The State Treasurer intends to issue GO bonds five to eight times each year, depending on the funding needs of departments. In Fiscal Year 1998-99, the State issued \$2.65 billion in GO bonds.

In 1996, the State Treasurer's Office implemented the GO Commercial Paper Program as a cost-effective means of meeting departments' interim financing needs between GO bond sales. Commercial paper is issued in maturities ranging from 1 to 90 days and then is retired by the issuance of GO bonds.

¹ **NOTE:** The 2000-2001 RANs appointments will come from this pool.

RANs

As part of its cash management program, the State annually issues short-term notes, or RANs, to meet cash flow needs. RANs are issued after enactment of the State budget and are retired at the end of the fiscal year.

THE STATE PUBLIC WORKS BOARD (SPWB) AND JOINT POWERS AUTHORITIES

The State builds and acquires certain capital facilities using lease-purchase borrowings through the State Public Works Board and other joint powers authorities. These agencies issue bonds to pay for the construction of various facilities including higher education, correctional facilities and office buildings. All projects must be authorized by the State Legislature through a budget act appropriation or separate legislation. These facilities are leased to a State agency, the University of California, the California State University or a Community College District under a long-term lease that provides the source of payment of the debt service on the bonds.

THE CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

The California Educational Finance Authority (CEFA) issues revenue bonds to assist accredited post-secondary private institutions in the expansion and construction of educational facilities through lower-cost financing. CEFA also administers low-interest student loan programs.

THE CALIFORNIA SCHOOL FINANCE AUTHORITY

The California Schools Facilities Authority (CSFA) provides tax-exempt, low cost financing to school districts to assist in the repair and construction of school facilities. CSFA is currently launching a new program, “Smart Bonds,” under which the State will issue a bond pool enabling districts to borrow more efficiently and less expensively than they would otherwise be able to do on their own.

THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The California Health Facilities Financing Authority (CHFFA) provides financial assistance to public and non-profit health care providers through loans funded by the issuance of tax-exempt revenue bonds. CHFFA financings may be used for the construction and renovation of new or existing health care facilities, the purchase of equipment or the refinancing or refunding of prior debt. CHFFA operates a direct loan program called HELP II, which provides low-cost loans to community-based and rural health clinics.

THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

The California Pollution Control Financing Authority (CPCFA) provides financing for pollution control facilities to aid in meeting environmental standards. CPCFA also administers the CalCap program, which assists small businesses in obtaining loans. Under the CalCap program, over \$300 million in loans have been made to small businesses.

THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) finances facilities that use alternative methods and sources of energy technology to minimize environmental pollution and conserve resources, including the development of advanced transportation technologies.

THE CALIFORNIA URBAN WATERFRONT AREA RESTORATION FINANCING AUTHORITY

The California Urban Waterfront Area Restoration Financing Authority (CUWARFA) approves and issues revenue bonds to finance enhancement projects to restore urban waterfront areas.

THE CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION

The California Industrial Development Financing Advisory Commission (CIDFAC) provides technical assistance to city and county authorities that issue Industrial Development Bonds (IDBs), independently reviews IDB applications for compliance with federal and state requirements and approves the sale of IDBs by local authorities. The program is intended to benefit economically distressed areas and to provide an alternative method of financing capital outlays that will increase employment or otherwise contribute to economic development.

II. SCOPE OF SERVICES

The scope of services will depend, in part, on the State Treasurer's need for services on various debt financings or special projects. General parameters are provided below.

A. PRICING ADVISOR ON A NEGOTIATED STATE DEBT FINANCING

The scope of services will include, but not be limited to, the following:

1. Review the preliminary and final official statements and participate in due diligence meetings.
2. Participate in conference calls with STO staff and the underwriters regarding liability assignments, retention, priority of orders and designation policies. Review industry practices and make recommendations.
3. Provide input on how to market the bonds to retail and institutional investors. Review and comment on the marketing plans submitted by the syndicate members.
4. Analyze the cost benefits of different structuring and pricing options. This includes, but is not limited to, fixed rate versus variable rate bonds, insured

versus uninsured bonds, callable versus non-callable bonds and par versus discounted bonds.

5. Analyze the cost benefits of purchasing bond insurance.
6. Participate in all pricing discussions. Based on direction from STO staff, provide data on market comparables and different indices that can be used in pricing discussions.
7. On a refunding, assist STO staff in structuring and bidding out the refunding escrow and evaluate the purchase of SLGS.
8. If requested by STO staff, assist in reviewing the senior manager's proposed allocation of the bonds.
9. Participate in a post-financing review as directed by STO staff. At a minimum, this work will include preparation of a memorandum that addresses how the State's bonds priced relative to market indices, comparables and any goals established prior to sale.

B. FINANCIAL ADVISOR ON A STATE DEBT FINANCING

The scope of services will include, but not be limited to, the following:

1. The same duties performed by the Pricing Advisor. See Section II.A. above.
2. Participate in bond document review sessions.
3. Assist STO staff in reviewing the senior manager's quantitative analyses related to the bond sizing, structure and flow of funds.
4. Analyze any proposals for new products as they pertain to the particular financing.
5. Assist STO staff in rating agency presentations or investor meetings related to the particular financing.

C. THE STATE'S GENERAL FINANCIAL ADVISOR

The scope of services will include, but not be limited to, the following:

1. Serve as financial advisor on the State's GO bond sales. This includes preparing the quantitative analyses related to the bond sizing, structure and flow of funds. The general financial advisor is also expected to coordinate this work with STO staff and the State's GO bond counsel to ensure compliance with federal tax law. Participation in due diligence meetings is also required.
2. Provide information on other major national, state and local debt issuances that may coincide or compete with State sales. Provide input on the calendar of State bond sales.

3. Review and report on the feasibility of refunding any of the State's outstanding GO and lease-revenue bonds.
4. Special projects based on the needs of the State Treasurer. Special projects may occur from time to time on a variety of subject areas including implementation of new bond financing programs, rating agency reviews and investor relations.

D. FINANCIAL ADVISOR ON THE STATE'S GENERAL OBLIGATION COMMERCIAL PAPER NOTES PROGRAM

Serve as financial advisor on the State's GO CP Program. This includes reporting quarterly on the CP rates received by the State relative to the general CP market. The financial advisor for the State's GO CP Program is also expected to assist STO staff in maintaining cost-effective liquidity to support the GO CP Program. The State's GO CP Program currently uses an external liquidity facility.

E. SPECIAL PROJECTS

From time to time, the State Treasurer may select a firm to assist with a special project, such as those listed below:

1. FEES PROJECT. The State Treasurer may appoint a firm to conduct a comprehensive study of fees other issuers throughout the country are paying underwriters, financial advisors, bond counsel and financial printers out of bond proceeds.
2. DEBT AFFORDABILITY REPORT. The State Treasurer is required annually to prepare a debt affordability report to be presented to the Governor and the Legislature. The report is intended to provide a framework for the Legislature to evaluate and establish priorities for bills that propose authorization of additional state debt supported by the General Fund during the budget year. Government Code Section 12330(b) requires the State Treasurer to prepare the report by October 1 of each year and sets forth the informational requirements that must be included in the report.

F. FINANCIAL ADVISOR ON FINANCING AUTHORITY FINANCINGS

From time to time, the financing authorities might require the services of a financial advisor similar to those services described under sections II.A and II.B above. The financing authorities may also require the services of a financial advisor to assist with special projects. The financing authorities will select firms from the respective pools.

III. STATEMENT GUIDELINES

A. MINIMUM QUALIFICATIONS

The firm has provided satisfactory responses to Section III.B.4. of this Request, as determined by the STO.

B. CONTENT OF STATEMENTS OF QUALIFICATIONS

Statements of Qualifications must be limited to twelve pages (excluding attachments), using a typeface font of no less than 12 pitch. Failure to provide all requested information or deviation from the required format might result in disqualification. When describing your experience on a debt financing, please provide the name of the issue, the name of the issuer, the sale date, the size of the issue, whether the interest rate was fixed or variable and the role of your firm. Address the following items in responding to this Request for Statement of Qualifications:

1. FINANCIAL ADVISORY EXPERIENCE

- a) Provide a brief description of your firm's experience serving as financial advisor for tax-exempt issues between January 1, 1997 to date.
- b) Provide a brief description of your firm's qualifications and experience that demonstrate its capability to provide the scope of services described in Section II of this Request.
- c) Provide a brief description of your firm's experience on a debt issuance in which you recommended an innovative or unique financing idea which resulted in savings to the issuer.
- d) Discuss your firm's experience in advising municipal issuers who issue variable rate debt.
- e) Provide at least two samples of your firm's written work. (The response to this question will not count against the page limit.)

2. PERSONNEL

Please complete Attachment A regarding the personnel who would be available to work on financings for the State and the financing authorities.

3. REFERENCES

Please provide five references from municipal issuers for which you have provided financial advisory services.

4. LEGAL PROCEEDINGS

Please respond to the following questions regarding legal proceedings in connection with any offering of municipal securities in any California transaction:

- a) Are there now pending any legal actions alleging violations of law in connection with an offering of municipal securities in a California transaction against the firm, any partner of the firm or any employee of the firm? Please describe each such pending action.

- b) Have there been any settlements or judgments involving such actions within the last five years? Please describe each such settlement or judgment, including the nature of the action and the amount of recovery.
- c) Are there pending any legal or disciplinary matters involving such actions against the firm by any state or federal regulatory agency?

Please include information about any criminal indictments or convictions against the firm or its employees where the charges involved an offering of municipal securities anywhere in the United States. Also include information about any material pending legal action, or settlement or judgment involving a claim of fraud, whether civil or criminal.

5. LEGAL UPDATE

To ensure the continued qualification of financial advisory firms which are selected to be members of the pool, the State Treasurer's Office is requiring that these firms update this office quarterly (within 30 days prior to March 31st, June 30th, September 30th and December 31st) regarding any changes to the disclosure information submitted in the application in response to Question #4 regarding legal proceedings. This includes disclosure of any new actions which have been brought against a firm subsequent to its initial disclosure at the time of applying to the pool. This also includes any new criminal indictments or convictions and any material pending legal actions or settlements or judgments involving a claim of fraud, whether civil or criminal. If no changes or new actions have occurred, please state so in the quarterly report.

Each firm should execute and submit the attached Legal Disclosure Certification (Attachment B), agreeing to provide disclosure of this information to the State Treasurer's Office on a quarterly basis.

6. COMMITMENT TO CALIFORNIA

Describe your firm's commitment to California. Include answers to these questions in your response:

- a) How many California residents does your firm employ in California?
- b) What was the percentage of your worldwide payroll (including distributions to principals of the firm) paid to California residents in 1998?
- c) Has your firm opened or closed offices in California or otherwise changed its commitment to California within the last two years?
- d) What are your firm's plans for its California municipal finance practice during the next two years?

7. INNOVATIVE IDEAS

Would you recommend any changes in the way the State or the financing authorities structure, market, and price debt financings? If so, please provide examples of the uses of any recommended instruments. Would you also recommend any changes in the way the State or the financing authorities use the team members?

8. SPECIAL INTERESTS

Please describe your firm's interests in working with the State Treasurer's Office and list the relevant experience.

9. DISABLED VETERAN BUSINESS ENTERPRISE

State law establishes participation goals of three percent for Disabled Veteran Business Enterprises (DVBEs) in contracts for professional bond services awarded by State agencies. These goals apply to the annual dollar amount expended on professional bond services, including financial advisory fees. Please indicate if your firm is a DVBE certified by the State Treasurer's Office or the State of California. For more information on this program, please contact Juan C. Fernandez at (916) 653-3967.

10. SMALL BUSINESS

The State Treasurer's Office is developing a small business outreach plan. To assist us in these efforts, firms which believe they qualify as a small business are requested to complete Attachment C and submit it along with their response to this Request for Statements of Qualifications.

11. FIRM'S INTEREST IN POOLS

Complete Attachment D.

12. FIRM'S PRINCIPAL CONTACT PEOPLE AT FIRM

Complete Attachment E.

13. FEES

STO staff will establish fees on a transaction-by-transaction basis in the case of the pricing advisors and financial advisors used on State and financing authority financings.

The exception to this general policy is the State Treasurer's general financial advisor. Firms interested in serving as the State Treasurer's general financial advisor must submit a fee quote.

C. DELIVERY

Statements of Qualifications will be received until noon (Pacific Daylight Savings Time) on August 20, 1999 at:

For Physical Deliveries:

State Treasurer's Office
915 Capitol Mall, Room 261
Sacramento, CA 95814
Subject – Financial Advisor Statement of Qualifications
Attn: Karen Walsh

For Mailed Deliveries:

State Treasurer's Office
P.O. Box 942809
Sacramento, CA 94209-0001
Subject – Financial Advisor Statement of Qualifications
Attention: Karen Walsh

No faxes will be accepted. By email: kwash@treasurer.ca.gov; cc: csarron@treasurer.ca.gov

No late proposals will be accepted. Proposals arriving at the Treasurer's Office after the deadline are, at the sole discretion of the Treasurer's Office, subject to review and consideration for placement in the pool at a future date.

Please provide three copies of your Statement of Qualifications.

All materials submitted in response to this solicitation become the property of the State of California and will not be returned. The materials will be a public record subject to the disclosure provisions of the California Public Records Act (Government Code Section 6250, et seq.).

IV. STATEMENT EVALUATION

Statements of Qualifications will be evaluated based on the following criteria (not listed in order of importance):

- A. Qualifications and experience of firm and personnel named in the Statement;
- B. Capability to provide required services;
- C. Past performance on State and financing authority debt financings; and
- D. Past performance of other municipal financings, based on client references and other verifiable information.

The STO reserves the right to:

- A. Request an interview with, and additional information from, a firm or firms prior to selection of a financial advisor(s) for inclusion in the pool or appointment to an assignment;
- B. Select firms that, in the State Treasurer's judgment, will best meet the STO's needs. In the case of the State's general financial advisor, this means that firms' fee proposals will be considered but not be the sole factor in making the appointment; and
- C. Consider information about a firm in addition to the information submitted by the firm.

V. EVALUATION OF PERFORMANCE

To acknowledge good performance and build accountability into the selection process, the State Treasurer's Office will conduct a post-financing evaluation of the performance of the pricing and financial advisors. Evaluations will be used in selecting financial advisory teams for subsequent transactions and for forming subsequent pools.

Pursuant to Government Code Section 6255, the post-financing evaluation and all information received in connection with the evaluation will be confidential. The State Treasurer's Office will not disclose this information under the Public Records Act.

VI. REMOVAL FROM POOL; ADDITIONS TO POOL

Any firm may be removed or suspended from a pool for reasons which include, but are not limited to, the following:

- A. Unacceptable performance in any bond sale determined by an evaluation completed by the Public Finance Division;
- B. Disqualification because of legal proceedings outlined in Questions 4 and 5 (Section III.B.), including actions, settlements or judgments, disciplinary actions by state or federal regulatory agencies, criminal indictments or convictions and claims of fraud whether criminal or civil;
- C. Filing for protection under federal or State bankruptcy laws; and
- D. Failure to continue to meet the minimum qualifications listed under Section III.

From time to time, the State Treasurer may make additions to the financial advisory pool. Pool applicants will be required to submit a response to the Request for Statements of Qualifications and will be evaluated based on the same criteria used to establish the pool.

Firm _____

STATE OF CALIFORNIA
OFFICE OF THE STATE TREASURER
Personnel Experience

Identify key personnel (include partners, principals and associates) who will be directly involved in the bond transactions.

Name	Title	Office Location	Role	How Long In Current Position?	How Long Employed at Current Firm?	How Long in Municipal Finance Practice?
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(NAME OF FIRM)
LEGAL DISCLOSURE CERTIFICATION

I, (Person's name), Partner, certify as follows:

I am a Partner of (NAME OF FIRM) (the "firm") and am authorized to execute this Certification on its behalf.

The firm is interested in providing financial advisory services to the State of California and has submitted a Statement of Qualifications to the State Treasurer's Office in order to be considered for placement in a pool of firms which may provide such services.

In the Statement of Qualifications, the firm has responded to questions regarding legal proceedings against the firm, as specified, in connection with offerings of municipal securities in California transactions and nationwide.

The Request for Statement of Qualifications requires that the firm provide a quarterly update to the State Treasurer's Office regarding changes to the legal information submitted with the Statement of Qualifications, as well as information about legal proceedings originating after submission of the Statement for Qualifications.

I certify that I have reviewed the requirements for updating the State Treasurer's Office regarding legal proceedings as outlined in the Request for Statement of Qualifications, and I agree, on behalf of the firm, to fulfill the requirements outlined therein.

(FIRM'S NAME)

(Person's name)

DATE: _____

Partner

**STATE OF CALIFORNIA
OFFICE OF THE STATE TREASURER
Small Business Outreach**

(_____ *NAME OF FIRM* _____) is interested in participating in the State Treasurer's Office outreach efforts for small business firms. The firm qualifies as a small business based on (*mark all that apply*):

- _____ Registration as a "Small Business Enterprise" with the State Treasurer's Office.
- _____ Registration as a "Disabled Veteran Business Enterprise" (DVBE) with the State Treasurer's Office.
- _____ Meeting the definition of a "small business" as set forth in Section 14837 of the California Government Code.
- _____ Meeting the definition of a "small business" as set forth in 13 CFR 121.
- _____ Registration as a "small business" with another federal, state or local government agency (please attach documentation).
- _____ Other (please explain and attach documentation).

Date _____

(*Name of Firm*)

(*Person's Name*)

Managing Partner

**STATE OF CALIFORNIA
OFFICE OF THE STATE TREASURER
List of Pool Assignments For Application Purposes**

Please indicate which assignments your firm wishes to apply for:

_____ State Pool (includes Revenue Anticipation Notes¹, State Public Works Board, joint powers authorities and various State agencies)

- _____ Pricing advisor on a negotiated State debt financing
- _____ Financial advisor on a State debt financing
- _____ Financial advisor – State General Obligation Commercial Paper Program
- _____ Special Projects – General
- _____ Special Projects – Fees Study
- _____ Special Projects – Debt Affordability Report

_____ State Treasurer's general financial advisor

	<u>Financial Advisor</u>	<u>Special Projects</u>
_____ California Educational Facilities Authority	_____	_____
_____ California School Finance Authority	_____	_____
_____ California Health Facilities Financing Authority	_____	_____
_____ California Pollution Control Financing Authority	_____	_____
_____ California Alternative Energy and Advanced Transportation Financing Authority	_____	_____
_____ California Urban Waterfront Area Restoration Financing Authority	_____	_____
_____ California Industrial Development Financing Advisory Commission	_____	_____

¹ Commencing with Fiscal Year 2000 - 2001

**STATE OF CALIFORNIA
OFFICE OF THE STATE TREASURER
Contacts at the Firm**

Primary Contact with State Treasurer's Office

Name:
Title:
Address:
City/State/Zip:
Phone:
Fax:
Internet or E-mail Address:

Contact to receive all RFQs

Name:
Title:
Address:
City/State/Zip:
Phone:
Fax:
Internet or E-mail Address:

Managing Partner (or comparable position)

Name:
Title:
Address:
City/State/Zip:
Phone:
Fax:
Internet or E-mail Address:

Head of Public Finance Unit (or comparable position)

Name:
Title:
Address:
City/State/Zip:
Phone:
Fax:
Internet or E-mail Address: